

**LOCAL GOVERNMENT DIVISION  
EVALUATION GUIDE FOR DEFINING THE REPORTING ENTITY  
BASED ON GASB STATEMENT NO. 14**

Government Name: \_\_\_\_\_ Unit Code: \_\_\_\_\_  
Government Contact: \_\_\_\_\_ Title: \_\_\_\_\_  
Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Instructions: Answer "yes" or "no" or "N/A" as appropriate and give reference(s). The references will usually be a statute, ordinance, or rule. Paragraph references in parenthesis apply to GASB Statement No. 14.

**I. Determination of Legal Status:** (para. 13-15)

- \_\_\_\_\_ (a.) Does the organization have a separately elected governing body? (para. 13)
- \_\_\_\_\_ (b.) Is the potential component unit (PCU) created as a body corporate or a body corporate and politic? If "yes" proceed to II. If "no," continue below. (para. 15)
- \_\_\_\_\_ (c.) Does the PCU possess corporate powers that distinguish it from the primary government? (Corporate powers could include, but are not limited to, the capacity to have a name, the right to sue and be sued without recourse to the primary government, the right to buy, sell, or mortgage property in its own name.) If "yes," proceed to II. If "no," continue below. (para. 15)
- \_\_\_\_\_ (d.) Does the primary government hold the PCU's corporate power? (If "yes," the PCU is part of PG. If "no," the PCU is not part of the primary government. **STOP.** The evaluation is complete (paras. 14 - 15)

**II. Financial Accountability:** (paras. 21-38)

- \_\_\_\_\_ (a.) Do elected officials of the primary government substantively appoint a voting majority of the PCU's governing board on a continuing basis? (When the primary government lacks substantive continuing appointment authority, but can unilaterally abolish the organization, this question can be answered "Yes.") If "yes," proceed to (1.) below. If "no," proceed to III. (para. 21 - 2)
- \_\_\_\_\_ (1.) Can the primary government impose its will on the PCU (see criteria below)? (para. 25-26) If "yes," proceed to IV (a). If "no," proceed to II (a) (2).

In determining the ability of the primary government to impose its will, the following conditions should be considered. If any of these conditions exist, the primary government is able to impose its will on the organization. (para. 26)

- \_\_\_\_\_ (a.) Can the primary government remove appointed members of the organization's governing board at will?
- \_\_\_\_\_ (b.) Does the primary government have the ability to substantively modify or approve the organization's budget?
- \_\_\_\_\_ (c.) Does the primary government have the ability to substantively modify or approve rate or fee changes affecting revenues?
- \_\_\_\_\_ (d.) Does the primary government have the ability to substantively veto, overrule, or modify the decisions of the organization's governing body?

- \_\_\_\_\_ (e.) Does the primary government have the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the organization?
- \_\_\_\_\_ (2.) Is there a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government (paras. 27-33) (If "yes," proceed to IV (a). If "no," proceed to VI (a). A financial benefit or burden relationship exists if any of the following questions can be answered "yes.")
- \_\_\_\_\_ (a.) Is the primary government legally entitled to or can it otherwise access the organization's resources?
- \_\_\_\_\_ (b.) Is the primary government legally obligated or has it otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization?
- \_\_\_\_\_ (c.) Is the primary government obligated in some manner for the debt of the organization?

III. Fiscal Independence/Dependence: (paras. 16-18 & 34-38)

- \_\_\_\_\_ (a.) Does the primary government have the authority to approve and modify the organization's budget? (paras. 16 - 17)
- \_\_\_\_\_ (b.) Does the primary government have substantive approval authority over the organization's tax levies, rate-setting or charges? (paras. 16-17)
- \_\_\_\_\_ (c.) Does the primary government have substantive approval authority over the issuance of bonded debt? (paras. 16-17)

If "yes" is the response to any of these questions, skip IV(a) and IV(b) and proceed to IV(c). If "no," proceed to V(a).

IV. Method of Presentation: (para. 38, 42-55)

- \_\_\_\_\_ (a.) Should the PCU be included as a component unit of another governmental agency besides the primary government? (i.e. Is the primary government financially accountable for the entity while the entity is fiscally dependent (see III) on another government? If "no," continue below. If "yes," specify which government: \_\_\_\_\_, and stop. (para. 38)
- \_\_\_\_\_ (b.) Is the component unit's governing board the same as that of the primary government? If "yes," the component unit's financial information will be blended. If "no," continue below. (paras. 52-54)
- \_\_\_\_\_ (c.) Does the component unit provide services entirely or almost entirely to the primary government or does it exist primarily for the benefit of the primary government? If "yes," the component unit's financial information will be blended. If "no," the financial information of the component unit will be discretely presented. (paras. 52-54)

V. Other Inclusion Criteria: (para. 39-41)

- \_\_\_\_\_ (a.) Would it be misleading to exclude the PCU because of its relationship with the primary government (see note below)? (If "yes," proceed to IV(c). If "no," proceed to VI(b). **Note:** Professional judgment must be exercised when examining the nature and significance of the relationship of the PCU with the primary government. Does exclusion of the entity from the financial statements make those statements incomplete or misleading? (paras 39-41)

VI. Other Relationships (para. 67-81)

\_\_\_\_\_ (a.) Does the organization meet the criteria to be disclosed as a related organization?:(para. 68)

\_\_\_\_\_ (1.) Does the primary government appoint a voting majority of the governing board?

\_\_\_\_\_ (2.) Is the primary government financially accountable for the organization?

(Generally, if VI(a) (1) is "yes" and VI(a) (2) is "no," the organization is a related organization. The notes to the financial statement should disclose the nature of the primary government's accountability for related organizations.)

\_\_\_\_\_ (b.) Does the organization meet the criteria to be disclosed as a joint venture?: (paras. 69-75)

\_\_\_\_\_ (1.) Is the organization the result of a contractual arrangement between two or more participants that is owned, operated or governed by the participants as a separate specific activity subject to joint control? (If "no," proceed to VI(c). If "yes," continue with VI(b) (2).)

\_\_\_\_\_ (2.) Do the participant governments retain:

\_\_\_\_\_ (i.) An on-going financial interest (para. 70)?

\_\_\_\_\_ (ii.) An on-going financial responsibility (para. 71)?

If VI(b) (2) (i) or VI(b) (2) (ii) are "yes," the organization is a joint venture.

\_\_\_\_\_ (c.) Could the organization be classified as

\_\_\_\_\_ (1.) Component unit of another government (see IV (a))?

\_\_\_\_\_ (2.) Jointly governed organization? (para. 77)

\_\_\_\_\_ (3.) Component unit/related organization with joint venture characteristics? (para. 78)

\_\_\_\_\_ (4.) Pool? (para 79)

\_\_\_\_\_ (5.) Undivided Interest? (para. 80)

\_\_\_\_\_ (6.) Cost sharing arrangements? (para. 81)